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Fellowes Research

Aftersales Solutions - June 2020 - News & Articles



Founder's Notes

Our newsletter is meant to boost discussion & collaboration on aftersales and the solutions that automate and improve parts sales and operations. Spread the word: forward this newsletter. To collaborate on an article, please [contact us](#). Thanks.

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In this email:

- [Feature Article - Accelerating Change](#)
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Feature Articles

For our June newsletter, we have a feature article on change - our one constant.



Accelerating Change

Car sales are down dramatically but rebounding sharply. The same applies to miles driven – which, in turn, impacts both collision repair volumes as well as mechanical repair and maintenance volumes. Additionally, service-parts purchases continue to shift to online channels – over the last few months most leading eCommerce platform providers have revealed growth in eCommerce parts volumes. The latest announcement is from CCC – reporting dramatic year-over-year growth in eCommerce.

How can the major OEM automotive parts eCommerce platforms all see growth? Simple, together they are taking share from phone, fax and walk-in orders. And – for now – nearly everyone is a winner – increasingly, independent repairers, dealerships and OEMs are participating in multiple eCommerce platforms concurrently.

Is this success evenly shared? Not exactly, some segments are growing faster than others. We are in a 'blue ocean' moment where rapid innovation is evolving online parts eCommerce/eProcurement to be much more than simple automation of ordering – the shift to ordering online is not – by itself – that valuable. Game changing value creators include (i) extending parts ordering from 8 hours/day, 6 days a week to 24 x 7; (ii) built-in OEM promotional pricing – even OEM dynamic parts pricing; (iii) parts availability status; (iv) OEM parts information and service procedures access; (v) providing an online order archive; (vi) CX-generation integration to shop systems and much more.

We are all experiencing accelerating change – including in the world of service parts.

News



CCC Information Services Inc. (CCC): sharp growth in parts eCommerce. According to CCC, continuing growth in eCommerce volumes signals a shift in how collision parts are promoted and purchased within the industry. CCC reports that the volume of electronic parts orders through its system by collision repairers has grown – from shortly after launch to last year – by nearly 20x (in four years) and that transactions grew from 12 million to 20 million year-over-year – or by two-thirds in the last year.

On the collision estimating side, CCC processes 24 million auto repair estimates (a majority of U.S. insurer-paid collision repairs) accounting for \$13 billion in parts annually (OE, AM & recycled parts types combined) – a growing fraction of which passes through CCC parts eCommerce.

[Read more.](#)

Global Automotive Repair & Maintenance Expected to Dip. According to the just-published "Global Automotive Repair and Maintenance Markets 2020-2030 - Implications and Recovery from COVID-19" report, the global automotive repair and maintenance market is expected to decline from \$693.5 billion in 2019 to \$691.7 billion in 2020 at a compound annual growth rate (CAGR) of -0.3%. The decline is mainly due to economic slowdown across countries owing to the COVID-19 outbreak and the measures to contain it. The market is then expected to recover and grow at a CAGR of 7% from 2021 and reach \$828.6 billion in 2023.

[Read more.](#)



Independent U.S. Repair Facilities (IRFs) surveyed on parts buying. Carlisle & Company with MOTOR announced the results of a wide-ranging survey on parts buying behaviors. Key takeaways include "When IRFs look online or at a catalog to find the right part, an OE option is offered less than half the time" – that is, despite the innovation and growing number of solutions for OEM parts eCommerce, the competitor's to new-OEM parts are winning the digital marketing battle. The survey recommends steps for OEMs and dealers to bolster their online visibility.

[Read more.](#)

Shift to Electric Vehicles Will Take More Time Than Expected. General Motors CEO Mary Barra said "... the transition" to electric vehicles will "happen over time," and that it will take "a little bit longer" than 20 years for electric powertrains to displace the combustion engine. This is significant to Parts and Service operations as battery-only vehicles will operate with perhaps half the need for mechanical repair and maintenance of ICE vehicles. Forecasts of a coming-soon reduction in parts and service may be premature.

[Read more.](#)

Expansion of Right-to-Repair Headed to Ballot The original Massachusetts Right-to-Repair legislation – that led to the setting nationwide rules – will be on the ballot this November for substantial expansion – extending RtR into the realm of 'connected car' vehicle health information. If as expected, the ballot measure passes and the implementation pushes more repairs to IRFs, parts eCommerce will become more critical for OEMs and their dealer networks.

[Read more.](#)

Collision Repairs & Parts Face Smaller Reductions from Technology. We have previously written that studies showed ADAS and autonomous vehicle technologies would likely reduce collisions by 90% in the long-term – new studies are now sharply reducing earlier apparently optimistic forecasts.

94 percent of crashes are said to be caused by humans. The new IIHS study found that self-driving vehicles may only stop one-third of these crashes. The IIHS studied 5000 crashes, analyzing specific details collected by the National Highway Traffic Association. The IIHS study also assumes all other vehicles are self-driving and leverage V2V (Vehicle-to-Vehicle) communications technology to avoid collisions.

This is important as collisions (and their repairs) account for a substantial portion of the automotive parts and service business. A 90% percent reduction – even if expected only decades in the future – could lead to major changes in investments and valuations. Now the size of the expected reduction and its timing are being challenged.

[Read more.](#)

Coming Soon

More on parts eCommerce volumes.

Answers

Question: I was recently asked: as parts buyers shift from calling and faxing to placing parts orders online, won't buyers increasingly order the wrong parts – in turn boosting (expensive returns)?

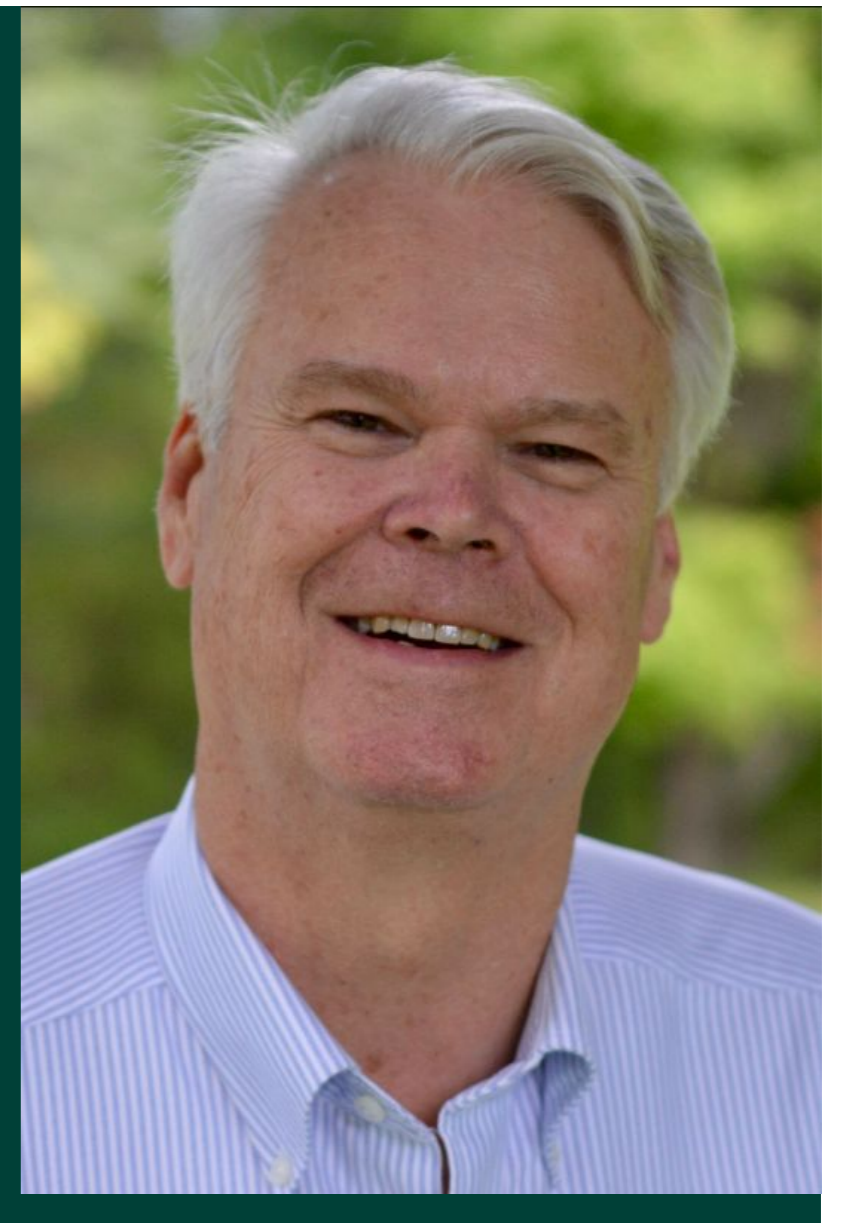
Answers: You might think so – but there is no evidence of increased parts returns. Why haven't parts ordering error rates – and thus, returns – risen? First, many eCommerce sites alert buyers that unless the vehicle's VIN is provided, any returns will be charged hefty re-stocking fees (as much as 25%). With the VIN, dealers – using OEM EPCs – can quickly look up the part and confirm that the ordered parts fit the vehicle. This fitment validation for parts can be completely automated – most EPC firms including several eCommerce platform providers – automatically without human intervention – validate by converting the part number to a part type (via OEM data) and then using the OEM parts catalog 'parts usage' data – look up valid part numbers for that part type matching the RPOs (Sales Codes, Spec Codes) of the given VIN. If the part fits, it's almost certainly the part the buyer wants – if the part number doesn't fit the vehicle with the supplied VIN – it is almost certainly an ordering error. As a consequence, ordering errors and returns can be held at very low levels – by manual or automated checks.

Readers, please [submit questions](#) – for our version of FAQs.

About Our Newsletter

Fellowes Research publishes a newsletter monthly (plus special editions). Monthly editions include a 'Feature Article' section with one – or more – articles on industry topics. Newsletters contain a summary of each 'Feature' – with a link to the full story.

Each edition includes a 'News & Events' section 'Coming Soon' identifies projects underway and being planned. Our newsletter closes with an 'Answers' section – responding to questions that subscribers ask.



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